Ancillary Benefit Plans—Day 2

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Voluntary Benefits and Worksite Marketing

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Survey Says

TABLE 98

Types of Voluntary (Employee-Pay-All) Benefits Offered*

	Overall n=384	Corporations n=319	Public Employers n=65
Life insurance (for worker or dependents)	74%	73%	78%
Accident insurance	66%	68%	55%
Critical illness or cancer insurance	62%	63%	54%
Vision insurance	49%	51%	38%
Hospital indemnity insurance	48%	49%	42%
Pet insurance	39%	43%	23%
Legal services plan	38%	38%	38%
Long-term disability coverage	37%	37%	40%
Dental insurance	33%	34%	29%
Short-term disability coverage	33%	33%	32%
Identity theft insurance	30%	31%	25%
Health insurance	16%	16%	18%
Long-term care insurance	16%	15%	22%
Automobile insurance	8%	9%	3%
Homeowners insurance	7%	8%	2%
Business travel accident insurance	6%	6%	5%
Student loan repayment assistance	5%	4%	9%
Hearing insurance	3%	3%	2%
Other	1%	1%	2%

*Respondents were asked to select all that apply.

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Worksite Marketing

- Worksite marketing products are usually programs that can be any type of additional benefit that is added to an employer's or sponsor's main menu of benefit options
- These benefits may be provided through insurance products that can be classified as either core products or non-core core products

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Core Benefits

- Core benefits typically consist of group major medical insurance, dental insurance and group term life insurance
- Premiums for these core benefits are usually subsidized greatly by the employer or sponsoring group, although in many cases at least a portion of the premium is paid for by the employees

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Noncore Supplemental

- Noncore supplemental product example is group short and long-term disability income coverage
- The disability income products may be sold as an employer-paid benefit, a voluntary employee-paid benefit or as a combination of a base employer-paid benefit with an option for the employees to buy-up to a high benefit

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Noncore Worksite Market

- Worksite products may be an individual insurance policies that are paid for entirely by the employee through payroll deduction (*i.e.*, life insurance, cancer insurance, accident insurance short-term disability income, critical illness and limited medical benefit plans) often at a "discount" due to economies of scale or with some special underwriting conditions
- However, now many carriers are using a group chassis platform so that they can package their product with lower premiums, almost guarantee to issue of coverage and simplified enrollment procedures

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Voluntary Worksite Marketing

- Voluntary worksite marketing products today will often include offering both group and individual policies as well voluntary supplemental coverage

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Design Advantages of Ancillary Benefits

- No or limited employer cost
- Can supplement or replace benefits that have been reduced or eliminated
- Ancillary benefits can serve as an employee retention or recruitment tool
- Convenience of payroll deduction
- Sometimes portability, allowing employees to take them when they leave

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Survey Says

TABLE 49

Other Types of Health Care Benefits Offered*

	Overall n=449	Corporations n=299	Public Employers n=82	Multiemployer Plans n=68
Abortion coverage	26%	26%	21%	35%
Autism treatments	45%	43%	46%	47%
Bariatric surgery	37%	34%	41%	46%
Chiropractic	65%	61%	66%	81%
Contraception	58%	55%	61%	66%
Dental benefits	75%	71%	84%	81%
Critical illness/cancer insurance	31%	26%	40%	41%
Fertility benefits	39%	40%	37%	38%
Gene therapy treatments	20%	21%	23%	15%
Genetic testing services	23%	21%	28%	25%
Hearing benefits	43%	38%	46%	57%
Long-term care insurance	12%	11%	22%	6%
Mental health benefits	75%	76%	65%	85%
Men's health specific services	28%	25%	32%	37%
Menopause related services	34%	32%	37%	37%
Prescription drug coverage for weight loss	23%	20%	33%	25%
Refractive/laser eye surgery	14%	10%	18%	29%
Pre-65 retiree health care benefits	28%	17%	41%	63%
Post-65 retiree health care benefits	20%	10%	39%	44%
Transgender-inclusive benefits	22%	21%	28%	21%
Vision benefits	64%	59%	72%	78%

*Respondents were asked to select all that apply.

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Requirements for (ERISA) Exclusion

- No employer contributions
- Completely voluntary participation
- Limited employer involvement
- No employer consideration (other than reasonable reimbursement to cover expenses)

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Making the Case for Ancillary Benefits

- Employers must successfully deal with the changing demographics of the workforce and the dynamics between increasing benefit desires and static resources

Tighter Economic Controls

Changing Workforce

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Attraction Will Be More Difficult

- Talent shortage in key age brackets
- Increased competition and cost for quality hires

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Retention Will Be More Complicated

- Young workers have more choices in a seller's market
- Baby boomers will change jobs less often as they age
- With too few new workers, employers may need to keep older workers longer

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Top Reasons for Leaving

1. Pay (48%)
2. Job security (41%)
3. Health benefits (36%)
4. Flexible working arrangements (31%)
5. Retirement benefits
6. Return to work in office requirements

Why do your employees leave?

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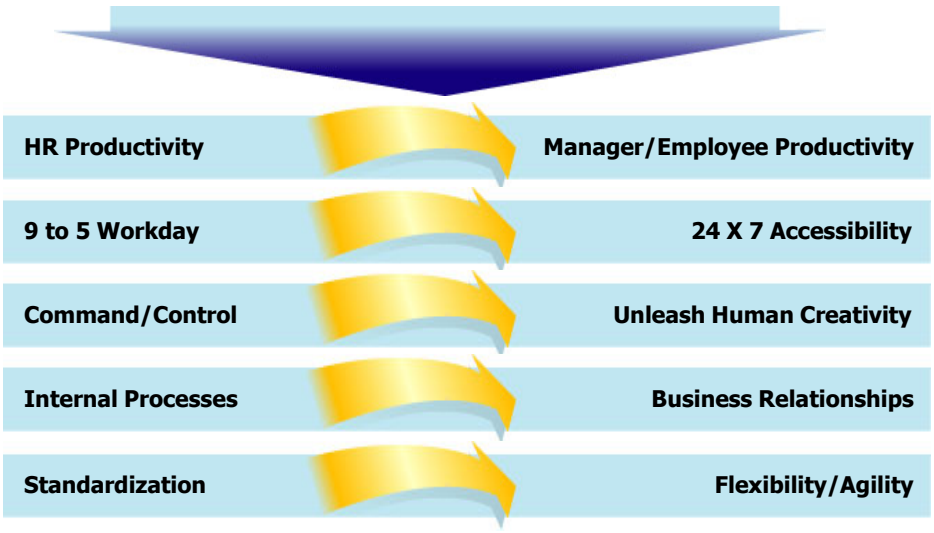
Source: 2024 & 2022 Global Benefits Attitudes Survey, WTW

Workplace Needs Are Changing



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Technology Impact

- Online technology has radically changed the way people perform jobs, and access information
- The use of online human resources solutions has expanded rapidly
- Self-service and online tools are important for improving the management of benefits functions
- Self-service is increasing:
  - Especially those applications that improve employee performance

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. . . And a New "Deal" With Employees Is Emerging

If you:
- Are loyal and stay with us
- Work hard
- Fulfill obligations

We will provide:
- Secure job
- Steady promotions
- Financial security
- Information about our collective performance

If you:
- Have the qualifications we need
- Apply your skills to help us succeed
- Demonstrate continuous improvement

We will provide:
- Meaningful work
- Support for your development
- Rewards commensurate with performance
- A voice in what we do

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The "New Deal" Requires a Supportive Total Reward Strategy

A Total Reward Strategy Model

Total Reward		
Cash	Benefits	Workplace
• Salary • Lump Sum Merit • Incentives	• Health Care • Death • Disability • Retirement Plan • Savings Plan • Life Cycle Benefits	• Alternative Work Programs • Recognition • Training/ Development • Alternative Retirement Programs

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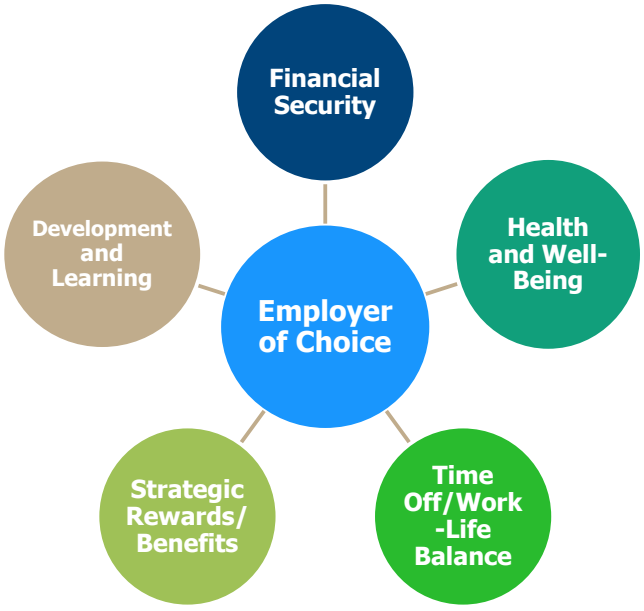
Impact on Business: The Total Compensation Approach



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Health Care Trends

The best performing companies concentrate on three key areas

Run Their Health Care Programs Like a Business	Engage Employees	Leverage Information and Technology Investments
• Emphasize employee productivity and overall health • Have longer health care strategy planning cycles • Attempt to balance cost and employee concerns • Manage supply chain	• Empower employees to take responsibility for health benefits • Provide employee self-service features in their health care program • Provide employees with self-care information and decision support • Provide employees with information on health care quality and costs	• Make use of the internet to administer benefits and distribute health care information • Use data in health care decision making

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Source: Watson Wyatt's New Rules for Managing Health Costs

Taking Care of Your Human Capital

- Defensive postures may work in a noncompetitive job market, however . . .
  - An increasing number of businesses rely solely on human capital
  - The experienced workforce has the means to retire
  - The "new" workforce is smaller in number
  - The entire workforce expects more than competitive pay
- Employers need to make the appropriate investments in their workforce

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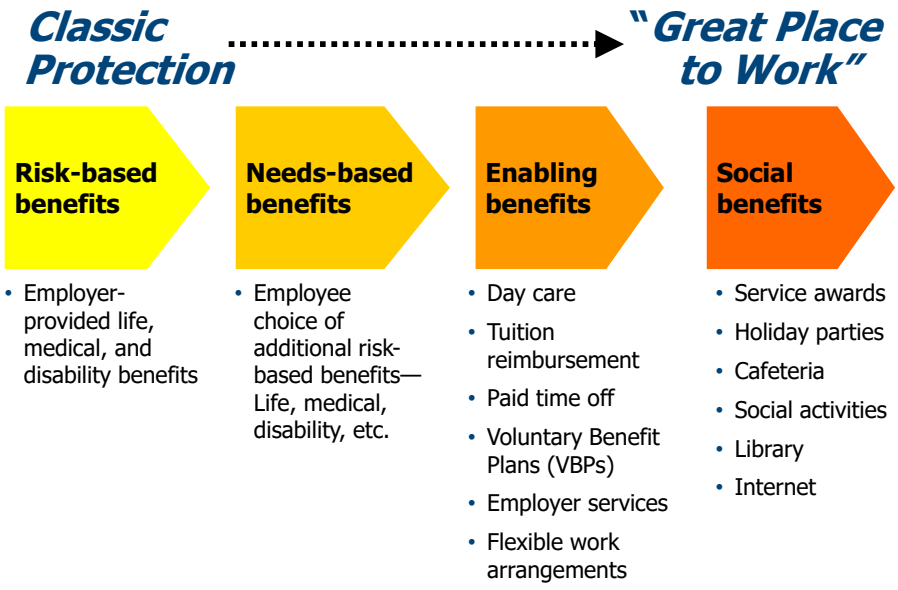
Solution Framework: A New Benefits Architecture



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Evolving Trends in Benefits

From		To
Defined Benefit	→	Defined Contribution/Hybrid
Employer Sponsored	→	Subsidized by Employer
Employer Focus	→	Consumer Focus
Group Benefits	→	"Individual" Benefits
Benefit Adjudication	→	Reimbursement Management
Provider Reimbursement Secrecy	→	Provider Reimbursement Transparency

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Evolving Trends for Flexibility

Historical		Emerging
Flexible Benefits	→	Flexible Compensation
Section 125 Focus	→	Flex Focus
Defined Benefits	→	Defined Contribution
Rich Core	→	Limited Core
Subsidized Price Tags	→	Credits
Entitlement	→	Performance
Vacation Buy/Sell	→	Paid Time Off (PTO) Buy/Sell
More Choice	→	Less Choice
More Options	→	More Voluntary Benefit Plans (VBPs)

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Making the Case for Ancillary Benefits

- Choice, when combined with ancillary benefits, is a vehicle for optimizing the delivery of total compensation
  - Platform for lifestyle enhancement
  - Tool for managing attraction, retention and growth
- Choice should be a good deal for everyone
  - Helps the employer manage costs
  - Provides security and assistance
  - Expresses a strategy for managing the strains of an aging workforce

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Key Questions You Should Be Asking

- What are the marketplace demographics of the talent pool?
  - Does your benefits program attract top people?
- Do you recalibrate your benefits program to meet the changing needs of current employees?
- Do you have an integrated strategy for keeping employees healthy and on the job?
- Can a link be drawn between benefits and shareholders value?

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The Opportunity

- To win, employers must be an employer of choice:
  - Traditional benefits taken for granted
  - Employers have to be creative; Use analysis and targeting
  - Use superior packaging and communication
- A business requirement is to become a great place to work

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Key Issues

- Fit with total compensation strategy
- Benefit choice vs. Access to funding
- Degree of change
- Employer sponsored vs. Employer paid
- Richness of the "core"
- Health plan choice and steerage
- Access to cash
- Use of voluntary benefits
- Vacation trading and PTO
- Performance criteria
- Strategy awards

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Work Life Balance/Conflicts

- Role overload:
  - Activities of multiple roles are too great to perform the roles adequately or comfortably
- Work-to-family interference:
  - Work make it more difficult to fulfill family-role responsibilities (i.e. child's sporting event, enjoyment of family etc.)
- Family-to-work interference:
  - Family demands and responsibilities (i.e., a child's or parent illness or a marital issue) make concentration at work difficult
- Caregiver strain:
  - The need to provide care or assistance to someone else who needs it

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Survey Constituents as to Other Benefits Seen as Important

- Emergency time off
- Unpaid time off
- Flexible work hours
- Flexible workdays
- Onsite childcare
- Opportunity to telecommute
- Athletic facilities at work

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Why Offer Expanded Benefits

- Voluntary benefits provide bridge between traditional coverage and diverse needs of workforce
- Changing demographics will necessitate broader range and choice of benefits in future
- Provide vehicle to balance work/life
  - Create a "co-dependence" between employer and employee
- Can be a differentiator—Important for recruitment; Can be a satisfier—Important for retention
- Reinforces message to marketplace about being an "employer of choice"

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Ancillary Benefits Are Big Business

- Auto as a voluntary benefit
- Homeowners/renters as a voluntary benefit
- Long-term care usually as a voluntary benefit
- Financial services usually as an ancillary benefit for senior staff
- Legal/prepaid legal as a voluntary ancillary benefit or perhaps as an ancillary benefit provided by firm (possibly via an EAP)
- Wide range of other convenience and lifestyle-related services including career development benefits

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Ancillary Benefits Considerations?

- What programs/services to provide to employees
- Role (and responsibility) of plan sponsor in sponsoring/managing service
- Selection of vendor/vehicles to provide service
  - Employee choice
  - Information and decision support tools
  - Ease of access
  - Vendor objectivity
  - Customer service
- Administrative interface with vendor
- Cost (to employee and the company)
- Contract terms

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Dental, Vision, and Hearing

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Dental, Vision, and Hearing

Dental, vision and hearing insurance are common ancillary plans that can be extremely valuable to employees

Properly utilizing these plans means recognizing the special attributes of these types of insurance and the categories assigned to different types of dental, vision and hearing treatment

GBA 1
Module 5
Objectives
1 & 6

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Ancillary Dental

- Dental features embedded in a medical plan may only be basic dental
- A voluntary dental plan may be purchased to expand on that in a group format or individual format with group discounts
- Discount card program may be an alternative to voluntary dental plan

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Traditional Plans

- Preventive
- Basic restorative
- Major restorative
- Orthodontia

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Traditional Plans

Preventive	Basic Restorative	Major Restorative	Orthodontia
Cleanings	X-rays	Crown	Braces
Exams	Fillings	Bridges	
Cancer Screening	Root canal	Inlays	
Evidence-based Dentistry	Scaling	Onlays	
	Extractions	Dentures	

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Traditional Plan Design

- $50-$100 deductible for basic and major
- 100% preventive
- 80% basic restorative
- 50% major restorative
- Often $1,000-$1,500 for annual benefit limit
- Most plans cover orthodontia benefits with $1,500-$2,000 for lifetime maximum
- Implants

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Dental Profession Is Organized Differently Than Medicine

- 80% of dentists are general practitioners and primary dental care providers
- The greatest percentage of dental care is rendered by one practitioner at a single site
- Almost all dental care is done on an out-patient basis
- There is a relatively small number of categories of dental auxiliary personnel (and probably a relatively small number of auxiliaries per dentist)
- There is no central facility, like a hospital, where dentists interact on a daily basis
- Dentists own, equip and operate their own "hospital," (*i.e.*, their dental office) without public subsidy

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Dental Plan Considerations

- Employer-paid vs. Voluntary
- Availability of orthodontia
- Use/level of predetermination
- Service level of vendor
- Indemnity vs. Network

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Dental Plan Considerations

Use of Network:

- Access to providers
- Network stability
  - Does the list of dentists change frequently?
- Reputation of network providers
- Cost savings available
- Dentist in-network
  - How do they feel about the carrier?

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Voluntary Vision Considerations

- What is already in the medical plan?
- Will a discount card meet needs?
- Flat dollar reimbursement in-network
- What about out-of-network?
- Price differentials on frames (*i.e.*, wholesale clubs vs. independent optical service)

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Vision Plans Usually Cover

- Routine eye examinations
- Certain ocular tests such as coordination of eye movements, tonometry eye pressure (glaucoma testing), depth perception for children and refraction testing for distance and near vision

- The plans also cover certain products such as lenses, standard-type frames and contact lenses

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Vision Plans Benefits

- Frequency limits on the number of times a participant can receive a benefit such as lenses or exams
  - Twelve or 24-month periods or a combo are common frequency limits
- May use a schedule-of-benefits approach and/or a preferred provider networks
- A schedule-of-benefits plan sets maximum dollar limits on the amount that will be paid toward a specific benefit
- The plan pays the lesser of the charged amount or maximum

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Preferred Provider Network

- Preferred provider networks for vision benefits are similar to those for medical care
- Participants who use a vision care provider in the network pay a minimum copayment, if any, for services and discounted charges for products
- There is sometimes coverage for services/products when a non-network provider is used, with reimbursement based on a schedule or usual, customary and reasonable (UCR) charges

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Tax Treatment

- Vision benefits can also be included in a flexible benefit plan
- Even if not covered under a plan, under a flexible spending account, the employee can fund planned vision care expenses on a pretax basis
- Vision care also qualify for reimbursement under a health savings account (HSA) and a health reimbursement arrangement (HRA)

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Enhancing Hearing

- Surgical procedures affecting the ear sometimes are covered in standard medical policies and in a few cases even are hearing aids
- However, more complete coverage is often available to assist with hearing care

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Hearing Benefits

- Some hearing care benefits package includes an 80% reimbursement for services and materials up to a maximum of $1,000
- The frequency of benefit availability is usually every 36 months
- Items that often are covered include:
  - Otology examinations (by a physician or surgeon)
  - Audiometric examinations (by an audiologist)
  - Hearing instruments (including evaluation, ear mold fitting and follow-up visits)

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Discounts and Tax Issues

- Discounts for audiologist fees as well as hearing-aid instruments also are available in PPOs
  - Some service plans apply co-payments when participating providers are utilized
  - Material costs can be reimbursed on a cost-plus-dispensing-fee basis
- A flexible spending account, HSA or HRA, is a convenient vehicle to take care of hearing care expenses in the absence of benefit coverage or for the portion not covered

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Employee Assistance Program (EAP)

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What Is an EAP?

- Employee benefit that encourages employees to seek counseling, referrals, and advice in dealing with stressful issues in their lives
- These may include bereavement, marital problems, child/elder care issues, substance abuse, weight issues, debt management, or general wellness issues
- Usually provided by a third-party, rather than the company itself, and the company receives only summary statistical data from the service provider. Employee's names and services received are kept confidential

> *"A worksite-based program designed to assist in the identification and resolution of productivity problems associated with employees whose performance/conduct is adversely affected by personal concerns."*
> *- Employee Assistance Professionals Association*

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EAP Considerations

- EAP usually available to employees even if they opted out of the medical/behavioral program
- EAP program usually paid by employer
  - Some add-ons (such as enhanced prepaid legal) may be via payroll deduction

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Why Offer an EAP

- Stress levels for employees are at an all-time high due to:
  - Chemical dependency
  - Family and marital discord
  - Legal and financial problems
  - Childcare
  - Elder care issues

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Benefits of EAPs

- Restore an employee to former level of performance
- Reduce terminations
- Increase productivity
- Contain company costs
- Provide access to care

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Differences Between EAP and Managed Care Organization

- EAPs strive for a preventive approach to mental health and well-being
- MCOs maintain curative focus
- Both offer appropriate evaluation and referral, easy access to care, high quality, cost-effective treatment

Can you find provider synergy?

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Considerations

- Decide whether to develop an internal program or hire external vendor
- Internal program staff more likely to understand culture of the company
  - More frequently used by managers and supervisors as a resource
  - Employee perception of potential breach of confidentiality
- External EAPs operate on a contractual basis and compensated on a per capita basis

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Considerations *(continued)*

- External programs less often used as resource by supervisors and managers
  - Often perceived as more confidential by employees
- External companies may offer more varied skilled and experienced staff
- Internal organizations more successful in adopting corporate culture

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Gatekeeper Services

- Important that EAP provide gatekeeper services related to behavioral health benefits
- EAP should have discounted fee arrangements with therapists and hospital-based treatment programs
- Access through EAP prior to entering treatment can result in higher levels of benefit reimbursement
- Results in "managed care" not "managed cost"

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Credentials

- All EAP staff should have at least:
  - Master's degree with mental health experience
  - State licensure
- Certified Employee Assistance Professional (CEAP designation) is a plus
- Social work, clinical psychology, psychiatry, counseling, and nursing should all be represented

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Hours of Availability

- EAP services must be available seven days per week, 24 hours a day
- Telephone calls should be answered immediately

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Models of Service

- Various intensity levels:
  - Telephone only (less desirable)
  - One to three face-to-face sessions
  - One to five face-to-face sessions
  - One to eight face-to-face sessions
    - Is plan per person or per issue?

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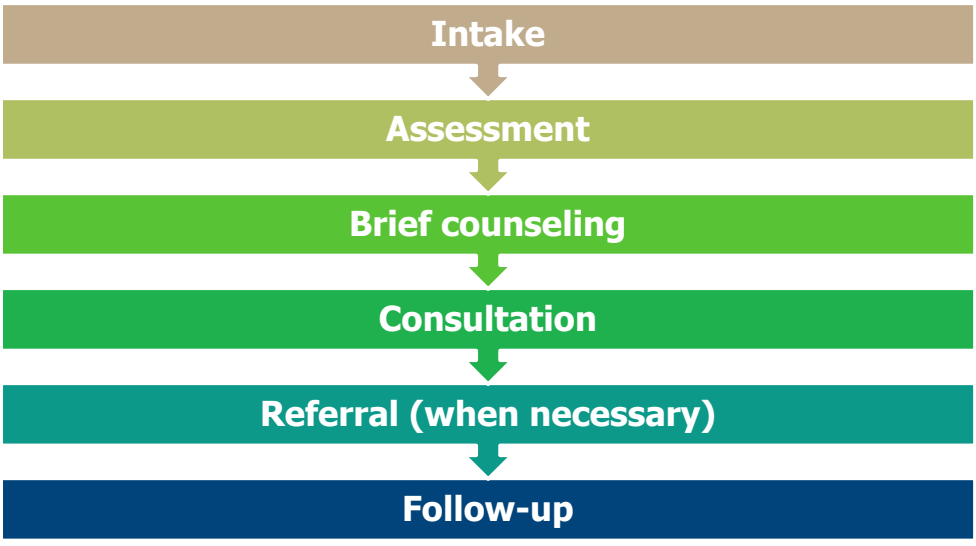
Models of Service

- Steps in the process:



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Case Management

- EAP should complete in-person/camera on assessments
- Manage cases until closure
- Provide follow-up to ensure client satisfaction (and reduce relapses)

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Share Out—Poll

Elizabeth decided to call the EAP for help in dealing with depression. In the course of the conversation with the EAP Intake Counselor, Elizabeth alludes to being suicidal. Is the EAP bound to keep Elizabeth's information private?

A. Yes
B. No

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Confidentiality

- Most important aspect of an EAP
- Breached only when clear evidence of danger to individual:
  - *e.g.*, Suicidal/homicidal ideation, child abuse
- Clients should always be advised of confidentiality practices of EAP

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Manager Involvement

- Use of EAP is subject to strict confidentiality guidelines
- Contact EAP at first sign of a problem
- EAP cannot be used as a punitive tool
- Communicate job criteria to EAP and employee
- Only information reported back to manager is whether or not the employee is cooperating with EAP

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Relationship With Providers

- Effective EAPs have a thorough network of quality providers
- EAPs should have knowledge of community resources
- EAPs are in good position to collaborate with providers to ensure efficient and effective treatment

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Questions to Consider When Choosing an EAP

- What other benefits are allowed in any existing health care program?
  - How will the two programs work to benefit the employee?
- How many sessions are allowed and how many are considered free?
- Is the program credible? That is, will the employees believe discussions are confidential?
  - Will the program be available to family members?
  - Where does the law overstep the bounds of confidentiality?
- Will the program be accepted and endorsed by managers?
- Will that help the program be accepted and utilized by employees?

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Learning Checkpoint: EAP Discussion

*In activity booklet

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EAP Discussion*

- Discussion Questions
- Critical Thinking Activity
- Real-World Applications: Scenarios

*In activity booklet

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New Waves in Ancillary Benefits

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Voluntary Benefits…

- Are ancillary benefits employees can opt into in addition to the basic benefits packages offered by their sponsor
- Are often paid partially or fully by employees who opt into them
- May be paid with pre-tax income, all of which leads to cost savings for employees
- May offer individual selection while also having a group discount
- Can range from legal and financial planning to identity theft protection services
- May be to supplemental insurances (critical illness insurance, enhanced life insurance, supplementary vision or dental insurance)
- May be as practical as pet insurance, homeowner, car insurance or even travel and discount services
- Can include health club, gym memberships, or discounts to entertainment and sporting events
- May be as practical as remote work, flexible work hour arrangements or even job sharing

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Adoption Expenses

- Qualifying adoption expenses may include attorney fees, travel expenses, and other expenses that are directly related to a legal adoption:
  - Must be in writing
  - Be nondiscriminatory
  - Be maintained for the exclusive benefit of employees
  - The employees must be given reasonable notice of the plan's existence
  - There exists a maximum reimbursement with respect to adoption expenses and the limit applies per adoption, not on a year-by-year basis
  - Benefits are subject to an income limit
- Other family forming benefits are trending

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Pet Insurance

- Usually, individual program with a group discount
- Key items:
  - Coverage definitions
  - Benefit limits
  - Type of deductible
  - Payout method

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Pet Insurance Coverage Definitions

- Comprehensive may cover all accidents and illnesses
- May included cataracts, deafness, epilepsy, and glaucoma
- Watch out for exclusions

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Pet Insurance Common Benefit Limits

- Per condition limit
- Annual limit
- Lifetime limit

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Pet Insurance Deductibles

- Annual:
  - Good for budgeting
- Per Condition:
  - If multiple ailments, becomes costly when insurance is truly needed (although less premium than above)
- Per Incident:
  - Low premium, but can be costly to consumer in terms of out-of-pocket for care

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Pet Insurance Payout Methods

- Based on actual bill:
  - Sometimes with schedule caps
- Based on pre-negotiated rate (managed care)

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Identity Theft Services

- Credit report and score
- Restoration service
- Credit education

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Prepaid Legal Plans

- Advice and consultation
- Letters and phone calls on one's behalf
- Personal document review
- Civil trial defense
- Document preparation
- Auto violations and accidents
- IRS audit legal services

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Other Benefits to Show Recognition

- Usually, a simple way to recognize employee is to offer benefits such as discounted magazines, shoeshines in office, haircuts (beauty salon) on site, massage therapy, company golf, pickle ball courts, car wash, preferred parking etc.
- Usually, no employer funds used to provide these practical convenience

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Long-Term Care

- Long-Term Care Insurance 101

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Is Long-Term Care Necessary?

- 70% of people over 65 will need some type of long-term care services and support
- 20% of those needing long-term care will need it for longer than five years
- Medicare only pays for long-term care in a skilled nursing facility for a maximum of 100 days
- 80% of care at home is provided by unpaid caregivers

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Source: LongTermCare.gov-Current statistics as of 2026

What Is Long-Term Care?

- Long-term care means helping people of any age with their medical needs or daily activities over a long period of time
- Long-term care can be provided at home, in the community, or in various types of facilities

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Who Pays Long-Term Care Bills?

- One-third of all nursing home costs paid out-of-pocket by individual/family
- Only 8% paid by Medicare for short-term skilled nursing home care
- Medicare does not pay for ongoing assistance needed at home
- Need to "spend down" savings to become Medicaid eligible

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Characteristics of Group LTC Insurance

- Limited plan design options selected by employer
- Guaranteed issue for active employees
- Large groups receive volume discounts
- Rates guaranteed for three to five years
- Return-of-premium upon death available
- Carriers are difficult to find

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Are Employers Offering LTC Insurance?

- 1989:
  - Just 3% of employees covered
- Currently:
  - Over 1/3 companies over 100 lives offer at least an option to get via payroll deduction
- Majority sponsor voluntary, employee-pay-all benefits
- Typical participation low (10%)
- Average age of group enrollment is 43 years
- Initial premiums increase with age

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Share Out—Poll

All of the following benefits might be offered on a voluntary basis to participants EXCEPT:

A. Pet Insurance
B. Workers Compensation Insurance
C. Long Term Care Insurance

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Implementing a Choice Based Model

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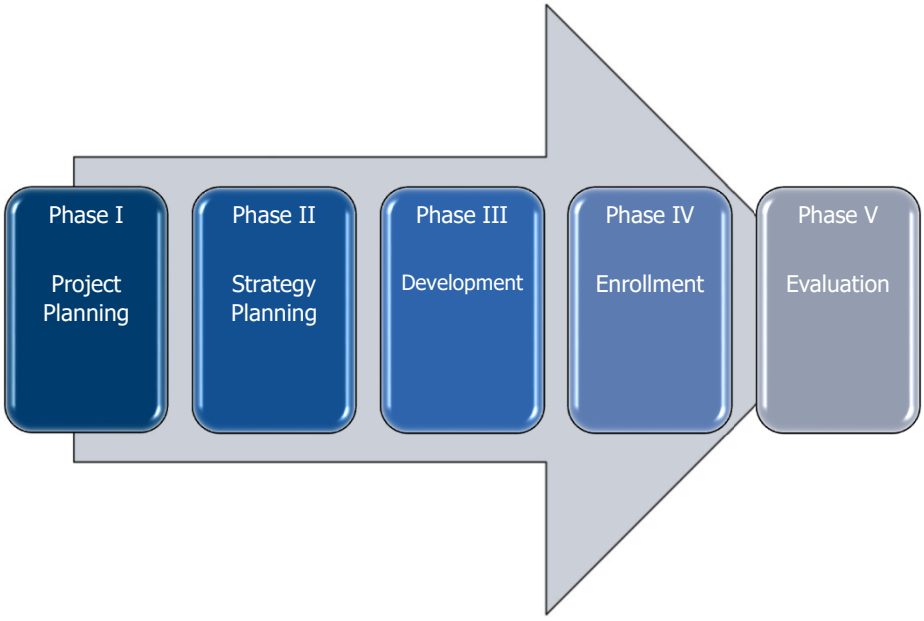
A Process to Implement Flex Choice Benefit Programs



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Case Study: Part 1 and 2
The Future?

Internet

Examples of resources on the internet

National Committee for Quality Assurance
http://www.ncqa.org

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Key Takeaways

Your Feedback Is Important. Please Scan This QR Code.

Day Two Evaluation